BEST NEWSLETTER

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EBIS: www.afpc.randolph.af.mil/dpc/BEST_GRB/EBIS.htm

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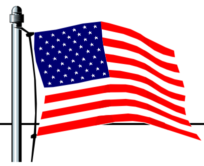

INSIDE THIS ISSUE

COMMENTS FROM OUR BRANCH CHIEF

We're excited about two new benefits planned for 2003: Flexible Spending Accounts (FSAs) and Thrift Savings Plan (TSP) catch-up contributions.

With FSAs employees can use pre-tax allotments to pay for certain health care expenses that are not reimbursed by any other source and not claimed on your income tax return. There are two types of FSAs. The first is the Health Care FSA (HCFSA), for employee expenses, and the second is the Dependent Care FSA (DCFSA), for eligible dependent care expenses. For more information, read the related article in this newsletter.

The TSP catch-up contribution benefit (P. L. 107-304) will allow eligible TSP participants age 50 and older to make "catch-up" contributions. These contributions are in addition to the regular TSP contribution. The initial sign-up period is expected in July 2003, with elections effective the first pay period in August 2003. After that, participants will be able to elect catch-up contributions at any time. To be eligible, you must turn 50 or older in the year catch-up contributions are made and must be contributing the maximum allowed by the Internal Revenue Service and TSP plan rules. You must also be in a pay status, and not in the 6-month non-contribution period following the receipt of a financial hardship in-service withdrawal. If you meet the eligibility requirements, you can contribute an extra $2,000 in 2003, $3,000 in 2004, $4,000 in 2005, and in 2006 and beyond an extra $5,000. More specifics about the program, including how employees will make their elections to contribute, will be provided in future issues of the BEST Newsletter and on the BEST Homepage.

MARIA F. MOLLY
Chief, Benefits and Entitlements Branch

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THRIFT SAVINGS PLAN (TSP) OPEN SEASON 15 APR – 30 JUN 03

The next TSP Open Season is 15 Apr – 30 Jun 03. Yes, this is one month earlier than last year.

The TSP offers Federal employees a means to increase their future retirement benefits and to defer paying current income taxes on their contributions and earnings. The sooner you start contributing to TSP, the more you stand to gain. Your money makes money in the form of earnings, and those earnings in turn make money. This is known as the "miracle of compounding."

Employees covered under the Federal Employees Retirement System (FERS) and the Civil Service Retirement System (CSRS) are eligible to start or increase contributions to the TSP during this open season. FERS employees may contribute 13 percent of basic pay and CSRS employees may contribute 8 percent. In addition, during this open season highly paid FERS employees need to ensure their contributions will not exceed the annual IRS elective deferral amount for 2003 ($12,000), before the year ends in order to avoid possible loss of agency matching contributions.

Elections made 15 Apr – 31 May 03 will be effective 1 Jun 03. Elections made on or after 1 Jun will be effective at the beginning of the next pay period after the election is made.

You will use the BEST Employee Benefits Information System (EBIS) web application or the BEST automated phone system to make your contribution elections. The web link and phone numbers are at top of this newsletter.

You'll make contribution allocations (how your money is invested in the funds) directly with TSP via the ThriftLine (504-255-8777) or web site at http://www.tsp.gov.

Remember to check your Leave and Earnings Statement (LES) for the pay period your election is effective to ensure your election is properly reflected. If not, you need to speak with a BEST Benefits Counselor right away.

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HEALTH INSURANCE, LIFE INSURANCE AND THRIFT SAVINGS PLAN

FIVE STEPS TO SAFER HEALTH CARE

1. **Speak up if you have questions or concerns**. Choose a doctor whom you feel comfortable talking to about your health and treatment. Take a relative or friend with you if this will help you ask questions and understand the answers. It's okay to ask questions and to expect answers you can understand.

2. **Keep a list of all the medicines you take**. Tell your doctor and pharmacist about the medicines you take, including over-the-counter medicines such as aspirin, ibuprofen, and dietary supplements like vitamins and herbals. Tell them about any drug allergies you have. Ask the pharmacist about side effects and what foods or other things to avoid while taking the medicine. Read the label, including warnings, when you get your medicine. Make sure it is what your doctor ordered, and you know how to use it. If the medicine looks different than you expected, ask the pharmacist about it.

3. **Make sure you get the results of any test or procedure**. Ask your doctor or nurse when and how you will get the results of tests or procedures. If you do not get them when expected – in person, on the phone, or in the mail – don't assume the results are fine. Call your doctor and ask for them. Ask what the results mean for your care.

4. **Talk with your doctor and health care team about your options if you need hospital care.** If you have more than one hospital to choose from, ask your doctor which one has the best care and results for your condition. Hospitals do a good job of treating a wide range of problems. However, for some procedures (such as heart bypass surgery), research shows results often are better at hospitals doing a lot of these procedures. Also, before you leave the hospital, be sure to ask about follow-up care, and be sure you understand the instructions.

5. **Make sure you understand what will happen if you need surgery**. Ask your doctor and surgeon: Who will take charge of my care while I'm in the hospital? Exactly what will you be doing? How long will it take? What will happen after the surgery? How can I expect to feel during recovery? Tell the surgeon, anesthesiologist, and nurses if you have allergies or have ever had a bad reaction to anesthesia. Make sure you, your doctor, and your surgeon all agree on exactly what will be done during the operation.

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REMEMBER TO CHECK YOUR LEAVE AND EARNINGS STATEMENT (LES)

A reminder – you should always check your LES each pay period. Why? There are many reasons.

For example, whenever you make a health or life insurance or TSP election, you should check the LES for the pay period following the effective date of the election to ensure the right enrollment code/plan and premium amounts are reflected. Also, it's an excellent way to verify that your health and life insurance premiums and TSP deductions resume correctly upon transfer to a new agency or location.

You should also watch the Remarks section for important announcements. For example, if you are participating in Premium Conversion the Remarks sections will contain a statement regarding the amount of your pretax FEHB exclusion. And while not benefits-related, it is important that you check and report to your supervisor any errors in wages paid or leave charged.

Remember, contact a Benefits Counselor immediately regarding any benefits-related errors found on your LES. Be sure to have the applicable LES on hand when you make the call.

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TAX CREDIT FOR TSP

If you participated in the Thrift Savings Plan (TSP) during tax year 2002, you may be eligible for a tax credit of up to $1,000 on your Federal income tax return (or up to $2,000 if married filing jointly). This benefit, called the Retirement Savings Contributions Credit (formerly known as the Saver's Tax Credit), is available to participants with an adjusted gross income of no more than $50,000 if married filing jointly, $37,500 if head of household, or $25,000 if single or married filing separately. The amount of the tax credit may be offset by any taxable distribution paid directly to you from the TSP. For more information about this tax credit, consult your tax advisor or refer to IRS Form 8880.

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HEALTH INSURANCE, LIFE INSURANCE AND THRIFT SAVINGS PLAN

FLEXIBLE SPENDING ACCOUNTS

Full details regarding Flexible Spending Accounts (FSAs) are not yet available, but the following information provides some of the basic information regarding the program.

What are FSAs and what can they do for you? A pretax benefit for federal civilian employees, FSAs may be used to pay for certain health care expenses that are not reimbursed elsewhere, such as dental care, co-payments, deductibles, non-covered services, services with dollar or visit maximums, and laser corrective vision. Employees who elect to enroll in this program will contribute before-tax monies from their salary each pay period.

Is there more than one type of FSA? Yes, there are two types:

Healthcare FSA (HCFSA). Covers certain medical and dental expenses not reimbursed by any other source and not claimed on the participant's income tax return. The maximum an employee may contribute per calendar year is expected to be $3,000, although that amount may be prorated for 2003.

Dependent Care FSA (DCFSA). Covers eligible dependent care expenses enabling the participant (and spouse) to work or seek work. There is a $5,000 maximum per calendar year ($2,500 if participant is married and filing a separate income tax return).

Is participation automatic? No. If you wish to participate, you must make a "positive" election, each and every year. Elections are irrevocable once the plan year has begun, unless you experience a qualifying "change in status" event.

Who is eligible to participate? Employees eligible to enroll in the Federal Employees Health Benefits (FEHB) program are eligible to participate in the FSA program. Temporary employees are immediately eligible for the Dependent Care FSA, but are not eligible for the Healthcare FSA until they have completed 1 year of continuous employment. Most intermittent and seasonal employees will be eligible to participate only in the Dependent Care FSA.

Do I have to be enrolled in an FEHB health plan to be eligible for FSAs? No, you do not. The only requirement is that you be *eligible* to enroll in the FEHB program to participate in the Healthcare FSA. All federal employees will be eligible to participate in the Dependent Care FSA.

How do I enroll? At this time, the Office of Personnel Management (OPM) envisions employees will enroll directly with SHPS, Inc., the contractor that will be administering the program.

How will the FSA program be funded? Because the Federal government isn't paying for this program, employees who elect to participate in the program will foot the bill for the administrative costs. SHPS, Inc. has worked hard to make these costs as low as possible, and believes that as more employees elect to participate, the fees will decrease.

Why is participation in the FSA program beneficial? Your contributions to one or both FSA accounts are made from pre-tax earnings. This increases your disposable income and lowers your taxable income. As you incur medical expenses not covered by your health insurance, such as co-payments, you pay the bill up front and submit your receipt to the program administrator, who then reimburses you from your FSA account. It's a win-win situation.

What happens to money not used by the end of the year? Under current law, funds remaining in an FSA account at the end of a calendar year are forfeited. However, there is legislation now in Congress that, if approved, would permit annual rollovers of up to $500 for each established health-care FSA or dependent-care FSA.

What are the responsibilities of the contractor? The contractor, who may also be known as the Third Party Administrator (TPA), will educate the employee population, handle enrollment, set up bank arrangements with payroll offices, reimburse employees for covered services via electronic deposits, make decisions on qualifying "change of status" events and process claims.

When can I enroll? OPM tentatively plans a special open enrollment season in May 2003, with elections effective 1 July 2003. After the special open season, employees will be able to enroll each year during the regular FEHB Open Season (mid-Nov to mid-Dec).

Are retirees eligible to maintain FSAs? No, by law, retirees, both federal and non-federal, are not eligible.

How can I get more information about this program? As more information becomes available, we will let you know. You may review the information currently available on the OPM web site at http://www.opm.gov/insure/pretax/fsa/index.asp.

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WHEN DIVORCE HAPPENS …

Most of us don't realize the effect a divorce can truly have on our Federal benefits. If you are recently divorced, or divorce is looming in your future, you need to be aware of the following:

Federal Employees Health Benefits (FEHB)

After my divorce, can my ex-spouse continue to receive coverage under my FEHB self-and-family enrollment? No. This is the biggest error most divorced employees make. Once the divorce is final, your ex-spouse is no longer eligible for coverage under your enrollment---regardless of what the divorce decree says. As soon as the divorce is effective, you must call your health insurance company and have the ex-spouse removed from the policy.

Because divorce is a qualifying life event (QLE), you may also elect to change to a different health plan, or, if you have no other qualified family members, from self-and family to self-only coverage. If this is the case, you have from 31 days before to 60 days after the divorce is effective to use the Benefits and Entitlements Service Team (BEST) automated phone system or Employee Benefits Information System (EBIS) web application to make your change. The effective date of the change is the first day of the pay period beginning after you make the election.

The divorce decree states I must provide health insurance coverage for my former spouse. How do I do that? When your former spouse's coverage is terminated, he/she will receive an automatic temporary 31-day extension of coverage under your enrollment. During that time, you can arrange for health insurance through a private company, or your former spouse can enroll in the FEHB Temporary Continuation of Coverage (TCC) program for 36 months (effective at the end of the 31-day extension of coverage).

How does Temporary Continuation of Coverage (TCC) work? Within 60 days of the date of divorce, the former spouse will need to submit an application to BEST for enrollment in TCC. The application package consists of a written request for coverage and a Health Benefits Election Form (SF 2809), which can be found on the BEST homepage under "Health Insurance." Depending on what the court order specifies, the former spouse or the federal employee will pay the employee share, employer share, plus a 2 percent handling charge--for a total of 102 percent of the cost of health insurance coverage. If your former spouse desires to enroll in TCC and has questions, please direct him/her to the Health Insurance link on the BEST Homepage for information and instructions.

What about spouse equity? If your former spouse is awarded part of your annuity, he/she may be eligible to enroll in the FEHB program as a former spouse under the Spouse Equity Act of 1984. Under spouse equity, the former spouse pays 100 percent of the cost and the coverage may continue for an unlimited time (as long as entitled to a survivor benefit). The eligibility requirements are:

- you were divorced during your employment;
- he/she was covered as a family member under an FEHB enrollment at least 1 day during the 18 months before your marriage ended (this requirement is met when both you and your former spouse have FEHB enrollments);
- he/she is entitled to a portion of your annuity or to a former spouse survivor annuity; and
- he/she has not remarried before age 55 (may not be applicable if the spouse was married to the employee for 30 or more years).

Coverage under spouse equity starts with a determination by the Office of Personnel Management (OPM) that the court order qualifies the former spouse for a portion of your future retirement annuity. To get started, the former spouse should send a request for determination to the Office of Personnel Management, Retirement and Insurance Group, Office of Retirement Programs, PO Box 17, Washington DC 20044. The request must include the following information: a certified copy (not a photocopy of a certified copy) of the divorce decree, property settlement, and/or court order (if applicable), and the employee's name, date of birth, social security number, and last employing agency.

OPM will send a written decision after reviewing the provided information. If found eligible, the former spouse will attach a copy of the OPM determination to an application for FEHB coverage under the spouse equity provision, include a copy of the divorce decree or court order, and mail to HQ AFPC/DPCMB, 550 C Street West Ste 57, Randolph AFB TX 78150-4759. We must receive the request for enrollment not later than 60 days after the date of the OPM eligibility determination.

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WHEN DIVORCE HAPPENS. . .

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The application to enroll consists of a written request for coverage and Health Benefits Election (SF 2809), which can be found on the BEST Homepage under Health Insurance. After ensuring the employee was still employed on the date of divorce, we'll forward the enrollment package to the National Finance Center for setting up the enrollment and billing of premiums. Please note: It can take OPM several months to determine eligibility for annuity, so we recommend the former spouse enroll, if eligible, under TCC until OPM issues their decision, to avoid any gap in health insurance coverage.

When is coverage under spouse equity effective? In most cases, the effective date of a former spouse's enrollment is the first day of the pay period after BEST receives the SF 2809 and has approved eligibility.

Federal Employees Group Life Insurance (FEGLI)

If the divorce decree states you must keep a certain amount of your life insurance and name your former spouse as beneficiary, you can:

- Provide a certified copy of the divorce decree for filing in your Official Personnel Folder (OPF). If a certified copy is received by the personnel office before you die, it will take precedence over a designation of beneficiary or the normal order of precedence.
- Make an irrevocable assignment of your government life insurance. An assignment automatically cancels a prior designation of beneficiary. However, if you are carrying more life insurance than you are ordered to provide the former spouse, we recommend you don't use this option, because an assignment affects ALL coverage except family.
- Consider purchasing private life insurance in the dollar amount required.

Thrift Savings Plan (TSP)

Your TSP account may also be subject to court decrees of divorce, annulment, or legal separation, or the terms of court-approved property settlements incident to one of these. The account may also be subject to the enforcement of legal obligations to make alimony or child support payments.

A qualifying court order must meet three basic requirements. First, it must specifically contain the name "Thrift Savings Plan." Second, if it requires a payment from the TSP account, the amount of the entitlement must be clearly determinable as a specific dollar amount; a percentage or fraction amount linked to a specific "as of" date; or a specific formula amount. Finally, the order must require payment to a person other than the TSP participant. Court orders must be filed directly with the TSP Service Office. To find out more about court orders, read the TSP booklet "Information About Court Orders (http://www.tsp.gov/forms/court.pdf) and the notice "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders" (http://www.tsp.gov/forms/oc92-36w.pdf).

You should also consider whether you need to file an updated TSP designation of beneficiary form. The form can be found at the web sites referenced below.

Beneficiary Forms

Divorce does not automatically change a beneficiary form previously submitted, nor does it prevent a named beneficiary from receiving death benefits. We recommend you review and update all applicable beneficiary forms as needed.

Beneficiary forms and filing instructions are available on the BEST Homepage under Forms. They're also conveniently located on the OPM web site at http://www.opm.gov/insure/designations/index.htm. Once there, you may print the forms and complete manually, or you may fill in while online and then print.

Retirement

Court orders can award a percentage or fixed amount to the former spouse while the retiree is living, and/or a survivor benefit at the retiree's death. Court orders must be filed with OPM for a determination of validity. More information on court orders can be found in Chapter 5 of the OPM's CSRS and FERS Handbook (http://www.opm.gov/asd/htm/hod.htm) and Handbook for Attorneys on court-Ordered Retirement, Health Benefits, and Life Insurance (http://www.opm.gov/asd/htm/PUB.htm).

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RETIREMENT
Full Service Employees

DISABILITY RETIREMENT

FULL SERVICE EMPLOYEES

Note: Limited Service Employees must contact their local Civilian Personnel Flight (CPF) for all counseling and assistance with retirement.

Have you ever wondered what you would do if you were injured at work, outside of work, or acquired an illness that would incapacitate you to such a degree that you could not perform your government job? Do you know how to apply for a disability retirement through the Benefits and Entitlements Service Team (BEST)? Read on to gain a basic understanding of the eligibility requirements and application process.

It makes no difference whether your disability occurs on or off the job, as long as it occurred while employed by the Federal government in a position covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The disability must be such that you are unable to perform and meet the requirements of the major duties of your job. Employees under CSRS are eligible to apply for disability retirement at any age provided they have at least 5 years of creditable civilian service. Employees under FERS are eligible at any age with at least 18 months of creditable civilian service.

You must also meet all the following criteria, set by the Office of Personnel Management (OPM), to qualify as a disability annuitant:

(1) the medical condition results in a service/performance deficiency;
(2) the medical condition will continue for at least 1 year;
(3) no reasonable accommodation can be made;
(4) a reassignment is not available within your commuting area, at the same grade or pay level; and
(5) medical documentation must support that you are totally disabled to perform the duties of your position.

Medical documentation is critical; in applying for disability retirement "more is better." Supporting documentation must include, but is not limited to, the following: (1) history of medical condition; (2) clinical findings; (3) assessment and plans for future treatment; (4) diagnosis; (5) expected date of recovery; (6) effect on life activities both on and off the job; (7) explanation that your condition has not become stabilized; (8) likelihood that you are/are not expected to experience sudden incapacitation; (9) duty restrictions or accommodations are/are not warranted; (10) medical basis for indication of injury or harm if carrying out the duties of your position.

To apply for disability retirement, call BEST. A Benefits Counselor will review the required forms with you and initiate a request for an estimate. (Required forms include the applicable optional retirement forms as well as disability forms.) Disability retirement forms are located on the BEST homepage and are easily downloaded from your work or home computer. If you are covered under FERS or CSRS Offset you must also apply for Social Security disability and provide a copy of the SSA approval/disapproval with your retirement application. If you have not received the SSA decision by the time you submit your retirement application, be sure to include a copy of the SSA receipt showing that you applied for SSA disability.

When you have completed the applicable disability retirement package and attached all required supporting documentation, including medical reports, give the application package to your local CPF. The CPF will complete the SF 3112D (Agency Certification of Reassignment/Accommodation) and forward the completed package to our office.

On receipt of your application package, we'll review it to ensure it is complete and includes all appropriate supporting documentation. We'll then forward the package to the payroll office for inclusion of pay data, and from there it will go to OPM for review. OPM will determine whether you are eligible for disability retirement based on the information provided by you. The inclusion of required medical information will only expedite the finalization process. OPM will provide their decision by letter, to both you and our office. If approved, a disability annuity would generally commence on the day after you separate from employment, or the day after your last day in a pay status, whichever comes first.

Benefits counselor are available from 7 a.m. to 6 p.m. Central Standard Time to assist with any questions you may have regarding an application for disability retirement.

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